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Letter dated 17 June 2008 from the Permanent Representative of Uzbekistan to the United Nations addressed to the Secretary-General

I have the honour to convey to you the information about the system functioning in the Republic of Uzbekistan on opposing the legalization of income derived from criminal activity and countering the financing of terrorism (see annex).

I would appreciate if you could circulate the present letter and its annex as a document of the General Assembly under agenda item 106.

(*Signed*) Alisher **Vohidov**
Permanent Representative of the Republic of Uzbekistan

08-39274 (E) 250608

Annex to the letter dated 17 June 2008 from the Permanent Representative of Uzbekistan to the United Nations addressed to the Secretary-General

[Original: Russian]

The system in the Republic of Uzbekistan for combating legalization of the proceeds of crime and the financing of terrorism

I. Current legislation of the Republic of Uzbekistan on combating legalization of the proceeds of crime and the financing of terrorism

In accordance with articles 243 and 155 of the Criminal Code of the Republic of Uzbekistan, offences related to the legalization of the proceeds of crime and the financing of terrorism are criminalized as grave and particularly grave offences, and appropriate punitive measures for perpetrating such offences have been established, which is one of the basic recommendations of FATF (Financial Action Task Force on Money Laundering).

Combating the financing of terrorism is also based on the Act of the Republic of Uzbekistan on combating terrorism, adopted on 15 December 2000, under which the financing and material or technical support of persons who carry out terrorist acts is qualified as one of the forms of engaging in terrorist activities.

It should be noted that Uzbekistan was one of the first members of the Commonwealth of Independent States (CIS) to have established, within the framework of the Act, the responsibility of juridical persons for the financing of terrorism, which is also one of the basic recommendations by FATF. In accordance with the Task Force's requirements, the Republic of Uzbekistan was one of the first States in the Central Asian region to have adopted the Act on combating legalization of the proceeds of crime and the financing of terrorism (in 2004).

At the same time, the system set up to monitor monetary transactions within the framework of the Act on combating legalization of the proceeds of crime and the financing of terrorism resulted in the serious danger of the outflow of funds from banks, which could have negative consequences for the banking system and the country's economy as a whole.

Owing to the situation that arose and the need to take urgent measures, a study was undertaken of international experience in that regard, and its results indicated that the countries that have legislation on combating legalization of the proceeds of crime and the financing of terrorism or that participate in the work of international organizations in this field actively engaged in the practice of providing financial amnesties, without any threat of the imposition of sanctions by international organizations. For example, a similar practice was applied by Italy (the Decree on legalization, 2001), Belgium (the Act on the amnesty for exported capital, 2004), Germany (legislative enactments on tax amnesty in 2005) and others.

In view of international practice and in order to enhance trust on the part of the general public and economic entities in the banking system, the application of certain provisions of the Act on combating legalization of the proceeds of crime and the financing of terrorism was temporarily suspended in 2007. Furthermore, the

Decree of the President of the Republic of Uzbekistan on additional measures to liberalize conditions and ensure guarantees for deposits by the public in commercial banks was adopted for these purposes in February 2008. The measures adopted ensure a significant growth in the amount of funds deposited in banks by both natural and juridical persons.

It should be pointed out that the Decree applies only to natural persons who are residents of the Republic of Uzbekistan and to funds deposited in cash or transferred from the personal accounts of residents in foreign banks. In this regard, when natural persons who are residents open deposit accounts, including bearer deposit accounts, the persons in question are identified since they must first of all provide the bank with documents indicating that they are residents of Uzbekistan and that the funds are being transferred from their personal accounts abroad, and not from accounts of unidentified persons or organizations. This provision effectively averts the possible danger of the inflow of the funds of foreign persons or organizations intending to finance terrorist activity within or outside the Republic or to conceal or legalize their criminal proceeds.

Despite the suspension of certain provisions of the Act on combating legalization of the proceeds of crime and the financing of terrorism, Uzbekistan currently has an adequate normative legal basis ensuring the functioning of an effective system for combating legalization of the proceeds of crime and the financing of terrorism, including the exchange of information used for detecting and dealing with cases of the legalization of criminal proceeds and the financing of terrorism. This includes the aforementioned Criminal Code of the Republic of Uzbekistan and the Act on combating terrorism.

In addition, a decision by the Government of the Republic of Uzbekistan of 5 August 2002 established the regular exchange of information between agencies of the State Tax Service and commercial banks on particularly large monetary transactions, which is used for detecting cases of tax evasion as well as legalization of illegal or criminal proceeds.

Under the Act on banking secrecy, commercial banks provide information on clients and their banking transactions to the agencies of the Office of the Public Prosecutor and carry out investigations and inquiries when criminal proceedings are instituted against clients, including criminal cases relating to legalization of criminal proceeds and the financing of terrorism.

II. State agencies of the Republic of Uzbekistan participating in combating legalization of the proceeds of crime and the financing of terrorism

In accordance with the decision by the President of the Republic of Uzbekistan of 21 April 2006 on measures to strengthen the combating of offences in the financial, economic and tax field and legalization of criminal proceeds, a specially authorized State agency was designated for combating the legalization of such proceeds and the financing of terrorism (the Department for Combating Tax and Currency Offences and the Legalization of Criminal Proceeds within the Office of the General Prosecutor of the Republic of Uzbekistan).

Under the Act on combating terrorism, the National Security Service, the Ministry of Internal Affairs, the State Customs Committee, the Ministry of Defence and the Ministry for Emergency Situations are designated as the State bodies engaged in the combating terrorism.

The Republic's law enforcement agencies carry out on an ongoing basis a set of corresponding measures and activities designed to detect, suppress and prevent cases of the legalization of criminal proceeds as well as activities aimed at providing material and technical support and financing to terrorist organizations. For example, in 2007 the Republic's law enforcement agencies uncovered nine offences linked to legalization of the proceeds of crime in respect of which the guilty parties were criminally prosecuted.

In cases involving the criminal prosecution of organizations or persons for terrorist activities, measures are taken under the legislation of the Republic of Uzbekistan to identify and freeze their financial and other property assets.

The Office for Monitoring and Analyzing Monetary Flows was created within the State Tax Committee of the Republic of Uzbekistan. The Office analyses information received on a regular basis from banks on particularly large monetary transactions in order to detect cases of tax evasion and the legalization of illegal or criminal proceeds. The materials concerning cases of the legalization of such proceeds are transmitted to law enforcement agencies, including the Department for Combating Fiscal and Currency Offences and the Legalization of Criminal Proceeds within the Office of the General Prosecutor of the Republic of Uzbekistan.

In order to carry out the FATF recommendations on preventing persons involved in terrorist organizations from holding executive positions within the country's credit institutions, there is a special subdivision of the Central Bank of the Republic of Uzbekistan whose tasks include coordinating the activities of the internal monitoring services in credit institutions as well as checking capital formation sources and identifying the founders and shareholders of banks.

Moreover, in accordance with Security Council resolutions, lists of terrorist organizations and persons participating in terrorist activities are transmitted on an ongoing basis to all commercial banks in the Republic in order to detect and subsequently freeze their assets.

III. International cooperation in combating legalization of the proceeds of crime and the financing of terrorism

The Republic of Uzbekistan acceded to the United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances, the International Convention for the Suppression of the Financing of Terrorism, and the United Nations Convention against Transnational Organized Crime.

Particular attention is given to the Republic of Uzbekistan's implementation of Security Council resolution 1373 (2001), which provides for taking active measures against legalization of the proceeds of crime.

Matter related to creating an effective national system for combating legalization of criminal proceeds and the financing of terrorism are given special

consideration in the Republic of Uzbekistan's cooperation with foreign countries, including the European Union countries which are FATF members.

Since 2005, the Republic of Uzbekistan has been a full and active member of the Eurasian Group on Combating Money-Laundering and the Financing of Terrorism (EAG), which is a regional organization working within the structure of FATF. A number of employees of the Ministry of Finances, the Ministry of Foreign Affairs, the Central Bank, the Department for Combating Fiscal and Currency Offences and the Legalization of Criminal Proceeds within the Office of the General Prosecutor are expert appraisers and members of EAG working groups.

Specific cooperation in this field has also been established with regional structures of the World Bank and the United Nations Office on Drugs and Crime. The Ministry of Foreign Affairs and the Department for Combating Fiscal and Currency Offences and the Legalization of Criminal Proceeds actively participate in this process.

Special attention is accorded to carrying out a set of measures for implementing the Partnership and Cooperation Agreement between the Republic of Uzbekistan and European Communities and their member States, which came into force on 1 July 1999. The Agreement, in addition to other measures, provides for the establishment of active and mutually beneficial cooperation in the field of crime prevention with regard to the economy, illegal trafficking in various types of goods and the use of the financial systems of the countries that are parties to the Agreement in the legalization of the criminal proceeds.

In order to implement the Agreement, proposals are being drawn up concerning Uzbekistan's accession to the European Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime (Strasbourg, 1990). In addition, the Republic's law enforcement agencies are working out measures to develop cooperation through the European Union (Europol and Eurojust) and also on a bilateral basis with EU member countries in combating terrorism, extremism, drug trafficking, money-laundering and the financing of terrorism. Proposals are being prepared for signing bilateral agreements with Belgium, Greece, France, Sweden, the United Kingdom, Slovenia and Estonia on cooperation in the areas referred to.

The Republic's implementation of the 10 EU recommendations on combating corruption are regularly considered within the framework of the Uzbekistan-European Union Cooperation Council.

The Republic also carried out work on adopting and implementing the recommendations of the Interparliamentary Assembly of the Eurasian Economic Community (EURASEC) on combating money-laundering and the financing of terrorism, which were drawn up in 2006.

Cooperation in this field has also been established between the law enforcement agencies of the Republic of Uzbekistan and CIS member States within the framework of the Office for the Coordination of the Fight against Organized Crime and Other Dangerous Types of Crime in the Territory of CIS Member States. The Republic's law enforcement agencies regularly exchange information in this area with other law enforcement agencies of CIS countries and plan and carry out corresponding joint activities.